

Can the operation succeed?

By Lori Kesler

There is great debate about the U.S. health care delivery system. It's hurting everyone financially from corporate giants to grade-school kids. Everybody's worried.

"Health care is turning up in opinion polls as one of the public's main concerns," says Jon Gabel, associate research director for the Health Insurance Association of America, an industry trade group. "People are worried about the the rising costs of health care—and they're afraid they might be the next ones to fall through the cracks in the system."

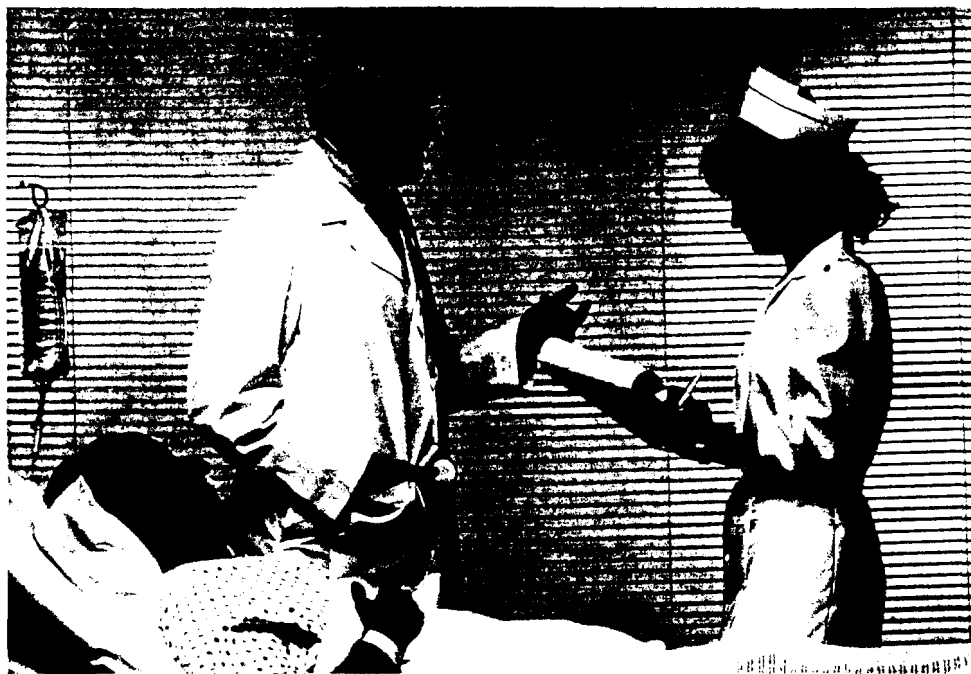
The U.S. will spend \$660 billion—or 12 percent of its Gross National Product—on health care this year. That's more than \$2,600 for every man, woman and child in the country. We commit more money to health care—in terms of total dollars, percentage of GNP and expenditures per capita—than any other nation in the world.

By all rights, \$660 billion should be enough to take good care of just about everybody. Yet some 51.5 million Americans—two-thirds of them employed workers and their dependents—have no health-care coverage at all and another 20 million have inadequate coverage. That's because the soaring cost of medical insurance has forced many small employers to drop health benefits, leaving millions of workers and their families unprotected.

Meanwhile, state governments, straining to balance their budgets, have pushed so many people off the Medicaid rolls that the system now covers fewer than half the country's poor.

As a result, geography often determines which needy citizens get care. For example, in California fully 85 percent of those living below the poverty line can get Medicaid. But only 17 percent of those in South Dakota are allowed into that state's program.

Yet the poor and the uninsured aren't the only ones hurt by skyrocketing health-care costs. Taxpayers are affected because the federal government faces huge hikes



Photography by Walter Hodges II, Armstrong Roberts

in Medicare and Medicaid expenditures during the next few years. And American business is feeling the pain as its medical bills shoot up an average of 20 to 50 percent a year.

While small businesses are getting priced out of the market, the larger corporations find themselves staggering under a load of health-care expenses that drain profits, squeeze wages and hurt their competitive stance internationally.

Chrysler officials note, for example, that employees' medical benefits add \$700 to the price of every car they make. But in Japan, the cost of medical care adds only about \$200 per vehicle.

And it's likely to get worse before it gets better. "We're not only spending more than any other country. Our costs are rising faster," says Jim Stutz, executive director of the St. Louis Area Business Health Coalition. If present trends continue, U.S. health-care expenditures in the year 2000 will top \$1.5 trillion and will gobble up 15 percent of GNP.

Despite all this, Americans don't seem to be getting their money's worth. In fact, some experts consider the uneven quality of medical treatment to be our country's

Some health care officials question the need for many patient treatments.

most serious health-care problem.

"There's a growing feeling that the money we're spending isn't necessarily buying quality," says Cathy Certner, director of public policy for the Washington Business Group on Health, an organization of Fortune 500 companies. "We have a lot of unnecessary care being delivered, and a lot being delivered by providers who shouldn't be giving certain kinds of care."

"Physicians and patients alike have come to believe in the miracle of modern medicine—that more is always better," says Gabel. "But we now know that up to one-fourth to one-fifth of all care may be unnecessary or inappropriate."

Indeed, research conducted by the Rand Corporation shows a substantial percentage of patients are not being helped by the medical care they receive—and some actually are hurt by it.

For example, when Rand's medical experts examined the records of a large

group of heart bypass patients, they concluded that the procedure posed more risk than benefit to 14 percent of the patients who had the operation. Another third of the bypass operations were deemed questionable, which means they probably neither helped nor harmed the patients.

In Rand's study of another surgical procedure—called the carotid endarterectomy—fully one-third of the operations were judged inappropriate. That is, the experts felt the treatment likely did the patients more harm than good.

How can this problem be solved? "The first step is to bring together more data so we can develop guidelines and standards about what's appropriate treatment and what's not," says Albert Williams, director of Rand Corp.'s health science program.

"The second step is to put that information into user-friendly form so that doctors—and everyone else—will know the consensus of expert opinion and get the word out. And then, I suppose, we should follow up and see how things change.

"I don't think doctors want to do procedures for inappropriate reasons," says Williams. "They do them because they think they're helpful. When the preponderance of research and evidence indicates otherwise, I'm confident they'll change."

He says Rand already is working with a consortium of 12 academic medical centers, the American Medical Association and major specialty societies to study several procedures and set up criteria for their use.

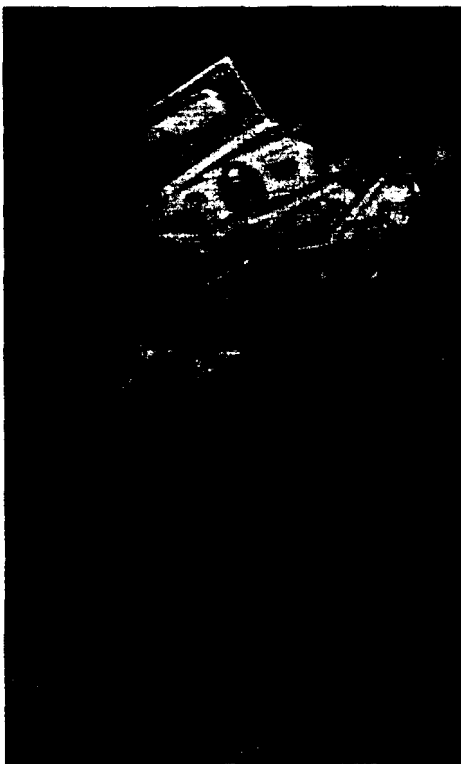
Most experts agree that researching and setting up standard practice guidelines could improve the quality of medical care and cut out a tremendous amount of waste. They say reliable evaluation data could serve as a valuable tool for businesses and insurance carriers who have an obligation to steer people away from unnecessary and possibly dangerous treatments.

In fact, the U.S. Chamber of Commerce recommends development of federal treatment-practice guidelines for physicians,

which, if followed, would be a defense against medical malpractice.

Gabel says new technologies also need to be reviewed more thoroughly. "We have so much medical technology coming into the system that's not carefully evaluated," he says. "We need to have critical trials to see if what's new actually is better than what's already out there."

"Unfortunately, we don't really have a good way for purchasers to evaluate the outcomes of the care their employees are receiving. We need lots more emphasis on purchasing care based on quality. Everybody's interested now in conducting more research into this area—and we support that," says Certner. "Once we have good data, we need to make it readily available



Some experts say standardized practice guidelines could improve medical care and trim cost increases.

to the public and large purchasers."

"We're getting better information on price and I believe purchasers are going to get more information on quality," says Stutz. "There's a lot of talk about it, and a lot of movement because we realize quality is the key to having an affordable health care system."

Of course no one expects miracles. "Health-care expenditures are likely to keep on rising," says Karen Berg Brigham, manager of health-care policy for the U.S. Chamber of Commerce. "We probably can't reverse the upward trend. Most benefits managers feel the best they can do is slow the pace of increases."

Yet the corporate sector has taken a long hard look at soaring medical bills in recent years, and it has come up with some creative innovations.

Most experts see managed care, including health maintenance organizations and preferred provider organizations, as the most promising way to contain costs and boost the quality of care.

"It's the wave of the future," says Gabel. Indeed, some 72 percent of all Americans with employer-paid medical coverage are in a managed-care group of some sort.

Southwestern Bell Corporation's managed care program, which has been hailed as one of the most successful in the country, was created in conjunction with the Prudential Insurance Company of America after SBC's health care expenditures surged 217 percent in six years.

SBC's CustomCare plan has become a model for corporate plans nationwide because it helps contain costs without automatically shifting more of the burden to participants. It also gives employees an opportunity to take an active role in their health care and gives providers incentives to offer quality care.

The corporation contracts with doctors and hospitals to treat employees, usually at fixed rates for different procedures. Each employee in the plan has a primary doctor who makes referrals to specialists in the managed-care network. Hospitalizations. ►

Photograph by Camerique H. Armstrong Roberts

"Managed health care at Southwestern Bell has put a brake on spiraling costs."

physicals and routine pediatric care are covered, and participants pay only a nominal fee for office visits. When employees choose to go to a non-network provider, they pay an upfront deductible and 20 percent co-payment for services.

SBC's managed-care program has put a brake on spiraling costs. Per-person claims costs rose less than 10 percent from 1988 to 1989, well below the national average of 20-24 percent.

And participants generally are happy with the plan. In a survey in 1990, 84 percent of them gave the quality of care a highly favorable rating. Only 3 percent responded negatively.

Most observers think the public will embrace managed care as they learn more about it. "We really need to educate the public," says Certner, "so they understand that more medical care isn't necessarily better care—and the most expensive isn't necessarily the best. Likewise, having free choice of providers doesn't mean much if you don't have the data to make an informed decision.

"We contend," she says, "that if companies have good data and use it to direct employees to the best quality providers, then that's a worthwhile

tradeoff for limited choice."

Certner says employers also are committed to helping employees become better health-care consumers. "Sometimes it seems people put more time and effort into buying the right kind of refrigerator than getting the right kind of health care. But that's changing," she says. "Now when a doctor prescribes something, the patient is more apt to ask about side effects and alternatives. And that's good."

"Prudent health-care purchasing is an important job for everyone—not just employers, but consumers, too," says Stutz. "They need information to make good decisions about keeping themselves healthy."

In fact, says Gabel, "we must help the public understand that improvements in the health of nations come largely through improved lifestyles—not by pouring more money into the medical care system, except in areas such as prenatal care, where better access does dramatically improve medical outcomes."

While most business people don't want to encourage excessive government intrusion into the current health-care system, they see areas where government can help, but there must be room left for

individuality in patient care.

They say government also has a responsibility to make medical care more accessible to those who currently are shut out of the system, and the federal government should do more to assess new technologies and set up treatment guidelines—and then disseminate that information to the public. The U.S. Chamber of Commerce recommends extending basic Medicaid coverage to all Americans with incomes below the federal poverty level. "That would restore the original intent of this program and define clearly the public sector's responsibility," it says.

The Chamber also recommends that people with incomes between 100 and 150 percent of the federal poverty level be allowed to purchase, on a sliding scale, primary coverage through Medicaid. And it supports federal legislation to require the establishment of state high-risk pools for those who are medically uninsurable. At least 16 states already have such risk pools.

Most observers think the American health-care system will operate most successfully and efficiently by relying on a combination of public and private initiatives. But they say Americans also must recognize that the system never will be able to do absolutely everything for everyone.

"I'm encouraged that the proper issues—cost and quality—finally are being raised," says Stutz. "It's legitimate to say we must have a system that's affordable. As we've begun to look more closely at affordability, we've been forced to define quality, and that's a healthy sign."

Yet experts acknowledge that difficult problems remain. And there are no easy answers. "As Americans, we want to have it all, we want to have it best, and we want to have it cheap. There's an inherent conflict in that," says Brigham. "It means hard choices must be dealt with as this debate unfolds."

"The trouble is," says Gabel, "the public is seeking a painless solution. And such a thing just doesn't exist." ■



Photography by Cameron/L. Armstrong Roberts

The scramble for patients

By Michael Rozek

Traditionally, hospitals aren't very cheery places, despite the comfort they try to provide to the sick. But, a number of them around the country are trying to change that—and then some. According to the American Hospital Association, more than 200 U.S. health care facilities are offering patients "luxury" rooms and services—with a level of accommodation and appointment usually found only in hotels. For example:

► At New York City's Beth Israel Medical Center, seven of the 229 patient rooms have been redecorated into luxury-level accommodations—with attractive bed linens, flowers, mahogany furniture and sofa beds to make visitors more comfortable. Plus, patients in the rooms receive a copy of *The New York Times* each morning, complimentary fresh flowers and an amenity basket when they arrive. "There's also a small refrigerator in every room, and the TV has a VCR," says Bernadette Harney, the hospital's public affairs coordinator.

► At Dallas' Baylor University Medical Center, management has created a special VIP floor for patients who want extra-special treatment.

"The whole floor is suites," explains Denise Youngman, a clinical manager at the Center. "They each have their own kitchen, fold-down writing desks, a second TV and phone, a sofa-sleeper, end tables with lamps, more chairs, and lots of floor space." Plus, says

Youngman, patients in the rooms can order—assuming their health allows it—veritable gourmet meals:

"We serve shrimp, steaks, lamb, a variety of seafood, even duck. We have a Mexican cook in the kitchen, too, so she does a lot of Mexican food." The center staff even serves a high tea in the area, five days a week—including finger sandwiches and desserts—as an opportunity for patients and visitors to mingle convivially.

And, if all that weren't enough, residents of the suites are offered what amounts to a hotel-style concierge service—they can arrange to have their cleaning done, purchase airline tickets, hire secretarial help or get other services just by picking up a phone. "Any request a patient has, we try to meet to our fullest," says Youngman.

► In Chicago, the Michael Reese Hospital and Medical Center offers patients "rooms with a view"—often, with a panoramic outlook on nearby Lake Michigan. All are also equipped with refrigerators and VCRs—and patients staying in them can order top-drawer meals and have video movies brought right to their bed.

"Every room has special linens, a terrycloth robe, and a fruit basket that we keep fresh, and the refrigerator's always filled with Perrier and soft drinks," says Shelle Weinstein, "concierge" for the rooms, called "Centennial Suites." "And, we provide any special service a patient needs. Recently, a gentleman told us he needed to have a codicil added to his will, and we arranged for his attorney, witnesses and a notary to be in his room the next day."

Why are hospitals offering the luxury-level rooms? Basically, to make money.

Rates for most of the special accommodations are nearly twice as expensive as standard hospital rooms—and just like in the hotel or restaurant business, can be provided at a substantial profit. So, according to a survey by the accounting firm of Arthur D. Little and Co., they're going to become more and more popular: Little predicts that more than 1000 American hospitals will offer "luxury" options to patients by the year 2000.

Yet, say the hospitals, they're also offering something that patients want—at least those who can afford to pay for it, since the cost of most luxury rooms isn't covered by medical insurance.

Home health care trims the total medical bill for employers and employees.

"People really enjoy the special facilities," says Baylor University Medical Center's Youngman. "Mostly, what they say is, 'Gosh, I think I'm in a hotel,' which makes us feel good. And because there are only a limited number of patients involved, we can give the nursing care that we were taught to give in school—we can spend more time with patients, get to know them and help them through the stress of illness."

"The food in the suite area at Baylor is magnificent," adds Dallas resident Pamela Burke, who has seen her husband and other members of her family through convalescence at the Baylor Center. "And the linens, china, silver—well, it's all brought in on a rolling tray and beautifully served. When someone is sick, things are taxing enough on the patient and the family; you don't need to be taxed by your surroundings." ■



Photography by Walter Hodges/H. Armstrong Roberts

EXHIBIT 3

**Southwestern Bell Telephone Company Direct Case
CC Docket No. 92-101**

**Southwestern Bell's Calculation of Exogenous Cost
Adjustments Including Allocation to Baskets**

EXOGENOUS COST DEVELOPMENT

Incremental OPEB Cost

The accrual amounts associated with SFAS 106 for SWBT were determined by an actuarial valuation completed by Towers, Perrin, Forster and Crosby (TPF&C). This study quantified the total OPEB cost by year for a 20 year period. The study quantified estimated claims, EPBO, APBO, dedicated assets available to pay claims, service cost and total OPEB cost. SWBT proposes the use of a 16 year average remaining service life to amortize the TBO portion of the total OPEB cost.

Total incremental OPEB cost for 1993 is summarized below. These amounts were actuarially determined by TPF&C in a study dated May 22, 1992.

Total SFAS 106 Cost	\$426,502,000
Estimated OPEB Claims	<u>143,621,000</u>
Total Incremental OPEB Cost	<u>\$282,881,000</u>

The incremental OPEB cost was categorized in the following manner prior to the application of Part 64 and Part 36 Separations Rules.

The amounts were allocated to the various categories based on percentages derived from the actual distribution of total company benefits through the Benefits Clearing Process for year to date 1991.

A portion of the total FAS 106 cost was assumed to be capitalized as part of the Company's telephone plant in service (Account 2001). The amount capitalized was subtracted from incremental FAS 106 cost to arrive at net OPEB cost.

The resultant amount was considered to be the incremental FAS 106 expense to which was added depreciation expense related to the above mentioned telephone plant in service to arrive at the total incremental expense impact. In calculating depreciation expense the Company assumed a 6% annual composite depreciation rate and utilized the one half in year of acquisition convention.

The incremental rate base impact was calculated in the following manner.

The mid-year OPEB liability was considered to be a reduction from the rate base. The mid-year deferred tax amount was an addition to the rate base because it would be a debit balance. The mid-year balance related to FAS 106 costs capitalized net of related accumulated depreciation was also an addition to the rate base.

The authorized interstate rate of return (11.25%) and a tax gross-up factor were applied to this incremental change in the rate base to arrive at the incremental revenue requirement impact related to rate base.

The following summarizes the 1993 incremental impacts of SFAS 106 for total SWBT for the expense components.

Total operating expense	\$250,338,210
Depreciation expense	<u>2,600,000</u>
Total incremental expense impact	<u>\$252,938,210</u>

The following summarizes the 1993 incremental impacts of SFAS 106 for total SWBT for the rate base components. Rate base amounts are as of mid-year.

Account 4310 - OPEB liability	(\$431,300,000)
Total plant in service	42,500,000
Related depreciation reserves	(5,487,900)
Short term PUC	7,503,590
Long term PUC	4,046,880
Deferred taxes	<u>130,600,000</u>
Total incremental rate base impact	<u>(\$252,137,430)</u>

Subject To Separations Incremental OPEB Cost

To quantify the incremental interstate regulated impacts, SWBT

separated the incremental costs by study area and excluded amounts associated with nonregulated and other categories (i.e., SNFA and affiliate transactions). The result is the subject to separations incremental costs.

The incremental OPEB costs are shown by study area on Figure 2.2-1. The study area costs were developed based upon historical distribution factors derived from SWBT's January through December, 1991 43-01 ARMIS Quarterly Report. Figure 2.2-2 displays the 43-01 data and references that were utilized to develop the distribution factors.

Figure 2.2-3 shows the development of the subject to separations costs. Except for Plant Under Construction amounts, nonregulated and other cost amounts were developed based upon historical distribution factors derived from SWBT's 1991 43-01 data. Plant Under Construction amounts were based upon factors derived from SWBT's 1991 43-03 ARMIS Regulated/Nonregulated data. See Figure 2.2-4.

To jurisdictionally apportion costs, it was necessary to determine the impacts for each of the categories contained in the Part 36 separations rules. 1991 annual data were used as the basis for developing factors to expand the subject to separations amounts, shown on Figure 2.2-3, into the Part 36 separations categories. Figure 2.2-5 displays this expanded categorization by study area.

Separation Of Incremental OPEB Cost

SWBT utilized its Interstate Cost Allocation System (ICAS) to apportion the subject to separations costs between state and interstate. ICAS performs cost allocations that conform with Part 36, Separations, and Part 69, Access Charge, cost allocation rules.

Base Year Data

SWBT utilized 1991 annual data as the basis for quantifying the interstate and access costs impacts of the OPEB cost change. SWBT modified the 1991 base case data so that the Subscriber Plant Factor (SPF) and the Dial Equipment Minutes (DEM) allocators reflect their respective 1993 levels. These changes were necessary to account for the impact of transitions on the SPF and DEM factors and to achieve appropriate cost allocation levels for OPEB impacts. The 1991 base year revenue requirements were calculated using the 11.25 percent authorized rate of return.

Figure 2.3-1 displays SWBT's modified 1991 base year data showing subject to separations amounts, interstate amounts, and amounts for the price cap baskets. Figures 2.3-1.1 through 2.3-1.5 display the 1991 modified base year data for SWBT's study areas.

Interstate and Access OPEB Cost Impacts

The base year data was modified to include the OPEB incremental costs. Figure 2.3-2 shows the development of SWBT's subject to separations amounts including the OPEB impact. Figures 2.3-2.1 through 2.3-2.5 show the development for SWBT's study areas.

The subject to separations amounts, modified for the OPEB impacts were input into SWBT's ICAS system and processed through the Part 36 and Part 69 allocations. The resulting Part 36 interstate and Part 69 access cost amounts are summarized on Figure 2.3-3. Figures 2.3-3.1 through 2.3-3.5 display the associated amounts for SWBT's study areas. Revenue requirements were calculated using the 11.25 percent authorized rate of return.

Figure 2.3-4 displays SWBT's interstate and price cap basket cost impacts associated with the OPEB change. These amounts represent the difference between the amounts shown on Figure 2.3-3, base year data modified for OPEB impacts, and Figure 2.3-1, 1991 base year data. Figures 2.3-4.1 through 2.3-4.5 display these amounts for SWBT's study areas.

OPEB Cost Adjustments

Additional adjustments were required for the calculation of the OPEB exogenous cost change. First, a portion of the OPEB impact

was allocated to non price cap services. SWBT excluded a percentage of exogenous costs equivalent to the percentage of total interstate access and interexchange services revenue that represents non-price cap services revenue. Second, SWBT applied an 84.8 percent factor to the price cap services exogenous cost to derive the portion of costs that will not be recovered through the price cap inflation adjustment or wage rate mechanisms. These adjustments are shown on Figure 2.4-1. This figure also shows the final OPEB exogenous cost change by price cap basket. These changes are as follows:

Common Line	\$17,490	46.7%
Traffic Sensitive	\$12,694	33.9%
Special Access	\$ 5,851	15.6%
Interexchange	<u>\$ 1,403</u>	<u>3.8%</u>
Total Access & IX	\$37,438	100%

1993 IMPACT OF SFAS 106 *

	TOTAL SWBT	ARKANSAS	KANSAS	MISSOURI	OKLAHOMA	TEXAS
1. TOTAL OPERATING EXPENSE	250,338,210	16,577,935	25,956,838	38,725,374	27,781,296	141,296,767
2. DEPR EXPENSE	2,600,000	179,653	208,211	420,591	286,283	1,505,262
3. ACCOUNT 4310	431,300,000	28,561,614	44,720,237	66,718,756	47,863,540	243,435,852
4. TOTAL PLANT IN SERVICE	42,500,000	2,803,040	3,419,386	7,218,841	4,445,183	24,613,550
5. SHORT TERM PUC	7,503,590	535,329	619,010	1,123,675	1,009,961	4,215,615
6. LONG TERM PUC	4,046,880	231,250	298,900	847,586	416,265	2,252,879
7. DEPR RESERVES	(5,487,900)	(389,393)	(436,349)	(817,643)	(625,238)	(3,219,277)
8. DEFERRED TAXES	(130,600,000)	(8,337,026)	(10,935,165)	(23,093,752)	(13,024,738)	(75,209,319)

* SFAS-106 AMOUNTS WERE DISTRIBUTED TO SWBT'S STUDY AREAS BASED ON RATIOS FROM SWBT'S JANUARY THROUGH DECEMBER, 1991 43-01 ARMIS REPORT. SEE FIGURE 2.2-1.

**DISTRIBUTION FACTORS FOR
EXPENSE, INVESTMENT, LIABILITY – SFAS 106**

(000)

<u>HISTORIC INPUT</u>	<u>TOTAL SWBT</u>	<u>ARKANSAS</u>	<u>KANSAS</u>	<u>MISSOURI</u>	<u>OKLAHOMA</u>	<u>TEXAS</u>
1. TOT OPER EXP EXCL DEPR	3,750,014	248,334	388,828	580,098	416,158	2,116,596
2. DEPR EXPENSE	1,591,189	109,947	127,424	257,400	175,204	921,214
3. ACCOUNT 4310	3,750,014	248,334	388,828	580,098	416,158	2,116,596
4. TOTAL PLANT IN SERVICE	23,919,066	1,577,555	1,924,436	4,062,775	2,501,756	13,852,544
5. SHORT TERM PUC	154,409	11,016	12,738	23,123	20,783	86,749
6. LONG TERM PUC	113,960	6,512	8,417	23,868	11,722	63,441
7. DEPR RESERVES	9,403,919	667,253	747,716	1,401,091	1,071,392	5,516,467
8. DEFERRED TAXES	2,892,600	184,653	242,198	511,493	288,479	1,665,777

<u>ARMIS 43-03 DISTRIBUTION FACTORS*</u>	<u>TOTAL SWBT</u>	<u>ARKANSAS</u>	<u>KANSAS</u>	<u>MISSOURI</u>	<u>OKLAHOMA</u>	<u>TEXAS</u>
9. TOT OPER EXP EXCL DEPR	1.000000	0.066222	0.103687	0.154692	0.110975	0.564423
10. DEPR EXPENSE	1.000000	0.069097	0.080081	0.161766	0.110109	0.578947
11. ACCOUNT 4310	1.000000	0.066222	0.103687	0.154692	0.110975	0.564423
12. TOTAL PLANT IN SERVICE	1.000000	0.065954	0.080456	0.169855	0.104593	0.579142
13. SHORT TERM PUC	1.000000	0.071343	0.082495	0.149752	0.134597	0.561813
14. LONG TERM PUC	1.000000	0.057143	0.073859	0.209442	0.102861	0.556695
15. DEPR RESERVES	1.000000	0.070955	0.079511	0.148990	0.113930	0.586614
16. DEFERRED TAXES	1.000000	0.063836	0.083730	0.176828	0.099730	0.575875

***SOURCING FOR INPUT USING 1991 DATA**

1. TOT OPER EXP EXCL DEPR	ARMIS 43-01 LN 1190 - LN 1180
2. DEPR EXPENSE	ARMIS 43-01 LN 1180
3. ACCOUNT 4310	ARMIS 43-01 LN 1190 - LN 1180
4. TOTAL PLANT IN SERVICE	ARMIS 43-01 LN 1690
5. SHORT TERM PUC	ARMIS 43-03 LN 2003
6. LONG TERM PUC	ARMIS 43-03 LN 2004
7. DEPR RESERVES	ARMIS 43-01 LN 1820
8. DEFERRED TAXES	ARMIS 43-01 LN 1840

**DEVELOPMENT OF 1993 SUBJECT TO SEPARATIONS
EXPENSE, INVESTMENT, LIABILITY – SFAS 106**

FIGURE 2.2-3

	(A) <u>TOTAL</u>	(B) <u>NONREG</u>	(C) <u>OTHER</u>	(D=A-B-C) <u>SUB TO SEP</u>
TOTAL SWBT				
1. TOTAL OPER EXP EXCL DEPR	250,338,210	9,621,496	1,334,465	239,382,249
2. DEPR EXPENSE	2,600,000	4,087	1,138	2,594,775
3. ACCOUNT 4310	431,300,000	16,576,580	2,299,108	412,424,312
4. TOTAL PLANT IN SERVICE	42,500,000	1,072,044	4,073,972	37,353,984
5. SHORT TERM PUC	7,503,590	14	5,915	7,497,661
6. LONG TERM PUC	4,046,880	330	4,119	4,042,431
7. DEPR RESERVES	(5,487,900)	(47,975)	(607,216)	(4,832,708)
8. DEFERRED TAXES	(130,600,000)	(356,763)	(1,575,780)	(128,667,457)

	(A) <u>TOTAL</u>	(B) <u>NONREG</u>	(C) <u>OTHER</u>	(D=A-B-C) <u>SUB TO SEP</u>
ARKANSAS				
1. TOTAL OPER EXP EXCL DEPR	16,577,935	531,783	56,877	15,989,275
2. DEPR EXPENSE	179,653	220	68	179,365
3. ACCOUNT 4310	28,561,614	918,183	97,991	27,547,431
4. TOTAL PLANT IN SERVICE	2,803,040	57,758	330,065	2,415,217
5. SHORT TERM PUC	535,329	0	9,358	525,971
6. LONG TERM PUC	231,250	0	786	230,464
7. DEPR RESERVES	(389,393)	(2,612)	(53,145)	(333,636)
8. DEFERRED TAXES	(8,337,026)	(21,587)	(187,834)	(8,127,605)

	(A) <u>TOTAL</u>	(B) <u>NONREG</u>	(C) <u>OTHER</u>	(D=A-B-C) <u>SUB TO SEP</u>
KANSAS				
1. TOTAL OPER EXP EXCL DEPR	25,956,838	646,404	211,084	25,099,349
2. DEPR EXPENSE	208,211	231	131	207,849
3. ACCOUNT 4310	44,720,237	1,113,670	363,671	43,242,897
4. TOTAL PLANT IN SERVICE	3,419,386	54,383	332,522	3,032,482
5. SHORT TERM PUC	619,010	0	589	618,421
6. LONG TERM PUC	298,900	0	108	298,791
7. DEPR RESERVES	(436,349)	(2,696)	(26,427)	(407,226)
8. DEFERRED TAXES	(10,935,165)	(14,877)	(208,282)	(10,712,006)

	(A) <u>TOTAL</u>	(B) <u>NONREG</u>	(C) <u>OTHER</u>	(D=A-B-C) <u>SUB TO SEP</u>
MISSOURI				
1. TOTAL OPER EXP EXCL DEPR	38,725,374	1,335,733	233,581	37,156,060
2. DEPR EXPENSE	420,591	792	209	419,590
3. ACCOUNT 4310	66,718,756	2,301,293	402,430	64,015,032
4. TOTAL PLANT IN SERVICE	7,218,841	219,478	1,170,711	5,828,653
5. SHORT TERM PUC	1,123,675	0	(11,285)	1,134,960
6. LONG TERM PUC	847,586	1	(348)	847,933
7. DEPR RESERVES	(817,643)	(7,546)	(52,079)	(758,017)
8. DEFERRED TAXES	(23,093,752)	(69,230)	(684,455)	(22,340,067)

	(A) <u>TOTAL</u>	(B) <u>NONREG</u>	(C) <u>OTHER</u>	(D=A-B-C) <u>SUB TO SEP</u>
OKLAHOMA				
1. TOTAL OPER EXP EXCL DEPR	27,781,296	960,628	93,459	26,727,209
2. DEPR EXPENSE	286,283	490	87	285,706
3. ACCOUNT 4310	47,863,540	1,655,036	161,018	46,047,486
4. TOTAL PLANT IN SERVICE	4,445,183	109,410	79,780	4,255,993
5. SHORT TERM PUC	1,009,961	2	13,925	996,033
6. LONG TERM PUC	416,265	324	(3,691)	419,632
7. DEPR RESERVES	(625,238)	(5,995)	(37,523)	(581,721)
8. DEFERRED TAXES	(13,024,738)	(31,830)	3,818	(12,996,727)

	(A) <u>TOTAL</u>	(B) <u>NONREG</u>	(C) <u>OTHER</u>	(D=A-B-C) <u>SUB TO SEP</u>
TEXAS				
1. TOTAL OPER EXP EXCL DEPR	141,296,767	6,146,948	739,463	134,410,356
2. DEPR EXPENSE	1,505,262	2,353	644	1,502,265
3. ACCOUNT 4310	243,435,852	10,590,388	1,273,998	231,571,466
4. TOTAL PLANT IN SERVICE	24,613,550	631,016	2,160,894	21,821,640
5. SHORT TERM PUC	4,215,615	12	(6,672)	4,222,275
6. LONG TERM PUC	2,252,879	4	7,263	2,245,612
7. DEPR RESERVES	(3,219,277)	(29,127)	(438,042)	(2,752,108)
8. DEFERRED TAXES	(75,209,319)	(219,240)	(499,028)	(74,491,052)

SOURCES

COLUMN A = FIGURE 2.2-1
 COLUMN B = COLUMN A * NONREG RATIO, FIGURE 2.2-2, COLUMN B
 COLUMN C = COLUMN A * OTHER RATIO, FIGURE 2.2-2, COLUMN C
 COLUMN D = COLUMN A - COLUMN B - COLUMN C

**DEVELOPMENT OF SUBJECT TO SEPARATIONS
EXPENSE, INVESTMENT, LIABILITY RATIOS--SFAS 106**

FIGURE 2.2-4

ARKANSAS

	RATIOS		
	(A) TOTAL	(B) NONREG	(C) OTHER
1. TOTAL OPER EXP EXCL DEPR	1.000000	0.032078	0.003431
2. DEPR EXPENSE	1.000000	0.001224	0.000379
3. ACCOUNT 4310	1.000000	0.032078	0.003431
4. TOTAL PLANT IN SERVICE	1.000000	0.020605	0.117753
5. SHORT TERM PUC	1.000000	0.000000	0.017480
6. LONG TERM PUC	1.000000	0.000000	0.003399
7. DEPR RESERVES	1.000000	0.006709	0.136482
8. DEFERRED TAXES	1.000000	0.002589	0.022530

1991 ACTUALS (000)		
(D) TOTAL	(E) NONREG	(F) OTHER
248,334	7,966	852
109,947	304	94
248,334	7,966	852
1,577,555	5,117	29,242
11,016	0	4,341
6,512	0	844
667,253	1,666	33,893
184,653	643	5,595

KANSAS

	RATIOS		
	(A) TOTAL	(B) NONREG	(C) OTHER
1. TOTAL OPER EXP EXCL DEPR	1.000000	0.024903	0.008132
2. DEPR EXPENSE	1.000000	0.001108	0.000628
3. ACCOUNT 4310	1.000000	0.024903	0.008132
4. TOTAL PLANT IN SERVICE	1.000000	0.015904	0.097246
5. SHORT TERM PUC	1.000000	0.000000	0.000952
6. LONG TERM PUC	1.000000	0.000000	0.000363
7. DEPR RESERVES	1.000000	0.006178	0.080564
8. DEFERRED TAXES	1.000000	0.001360	0.019047

1991 ACTUALS (000)		
(D) TOTAL	(E) NONREG	(F) OTHER
388,828	9,883	3,162
127,424	431	244
388,828	9,883	3,162
1,924,436	6,184	37,812
12,738	0	370
8,417	0	141
747,716	2,402	23,549
242,198	529	7,406

MISSOURI

	RATIOS		
	(A) TOTAL	(B) NONREG	(C) OTHER
1. TOTAL OPER EXP EXCL DEPR	1.000000	0.034492	0.006032
2. DEPR EXPENSE	1.000000	0.001884	0.000496
3. ACCOUNT 4310	1.000000	0.034492	0.006032
4. TOTAL PLANT IN SERVICE	1.000000	0.030403	0.162174
5. SHORT TERM PUC	1.000000	0.000000	-0.010043
6. LONG TERM PUC	1.000000	0.000002	-0.000410
7. DEPR RESERVES	1.000000	0.009229	0.063694
8. DEFERRED TAXES	1.000000	0.002998	0.029638

1991 ACTUALS (000)		
(D) TOTAL	(E) NONREG	(F) OTHER
580,098	20,009	3,499
257,400	1,093	288
580,098	20,009	3,499
4,082,775	17,637	94,077
23,123	0	(5,826)
23,868	1	(238)
1,401,091	5,354	36,949
511,493	1,739	17,193

OKLAHOMA

	RATIOS		
	(A) TOTAL	(B) NONREG	(C) OTHER
1. TOTAL OPER EXP EXCL DEPR	1.000000	0.034578	0.003364
2. DEPR EXPENSE	1.000000	0.001713	0.000303
3. ACCOUNT 4310	1.000000	0.034578	0.003364
4. TOTAL PLANT IN SERVICE	1.000000	0.024613	0.017948
5. SHORT TERM PUC	1.000000	0.000002	0.013788
6. LONG TERM PUC	1.000000	0.000779	-0.008867
7. DEPR RESERVES	1.000000	0.009588	0.060013
8. DEFERRED TAXES	1.000000	0.002444	-0.000293

1991 ACTUALS (000)		
(D) TOTAL	(E) NONREG	(F) OTHER
416,158	14,390	1,400
175,204	713	126
416,158	14,390	1,400
2,501,756	10,243	7,469
20,783	1	5,738
11,722	324	(3,690)
1,071,392	3,990	24,975
288,479	1,017	(122)

TEXAS

	RATIOS		
	(A) TOTAL	(B) NONREG	(C) OTHER
1. TOTAL OPER EXP EXCL DEPR	1.000000	0.043504	0.005233
2. DEPR EXPENSE	1.000000	0.001563	0.000428
3. ACCOUNT 4310	1.000000	0.043504	0.005233
4. TOTAL PLANT IN SERVICE	1.000000	0.025637	0.087793
5. SHORT TERM PUC	1.000000	0.000003	-0.001583
6. LONG TERM PUC	1.000000	0.000002	0.003224
7. DEPR RESERVES	1.000000	0.009048	0.136068
8. DEFERRED TAXES	1.000000	0.002915	0.006635

1991 ACTUALS (000)		
(D) TOTAL	(E) NONREG	(F) OTHER
2,116,596	92,080	11,077
921,214	3,309	905
2,116,596	92,080	11,077
13,852,544	54,263	185,822
86,749	6	(3,350)
63,441	4	6,824
5,516,467	19,150	288,002
1,665,777	6,170	14,044

***SOURCING FOR INPUT USING 1991 DATA**

1. TOTAL OPER EXP EXCL DEPR	ARMIS 43-01 LN 1190 - LN 1180
2. DEPR EXPENSE	ARMIS 43-01 LN 1180
3. ACCOUNT 4310 (OPER EXP EXCL DEPR)	ARMIS 43-01 LN 1190 - LN 1180
4. TOTAL PLANT IN SERVICE	ARMIS 43-01 LN 1690
5. SHORT TERM PUC	ARMIS 43-03 LN 2003
6. LONG TERM PUC	ARMIS 43-03 LN 2004
7. DEPR RESERVES	ARMIS 43-01 LN 1820
8. DEFERRED TAXES	ARMIS 43-01 LN 1840

1993 SFAS-106 INCREMENTAL OPEB IMPACTS
(000)

STUDY AREA: SOUTHWESTERN BELL TELEPHONE CO.

	ARKANSAS SUB TO SEP (A)	KANSAS SUB TO SEP (B)	MISSOURI SUB TO SEP (C)	OKLAHOMA SUB TO SEP (D)	TEXAS SUB TO SEP (E)	COMPANY SUB TO SEP (F=A THRU E)
INVESTMENT						
1 GSF	288	400	1,367	657	3,257	5,969
2 COE-CAT1	9	6	31	15	213	275
3 COE-CAT2&3	437	577	1,044	743	4,186	6,988
4 COE-CAT4	419	623	936	674	3,430	6,081
5 IOT	35	53	138	76	557	859
6 C&W	1,226	1,373	2,313	2,092	10,178	17,182
7 TANGIBLE ASSETS	0	0	0	0	0	0
8 INTANG ASSETS	0	0	0	0	0	0
9 **TPIS**	2,415	3,032	5,829	4,256	21,822	37,355
						0
15 PHFTU	0	0	0	0	0	0
16 TPUC	756	917	1,983	1,416	6,468	11,540
17 M&S	0	0	0	0	0	0
18 CWC	N/A	N/A	N/A	N/A	N/A	N/A
19 OTH JUR ASSETS	0	0	0	0	0	0
20 FCC INV ADJUSTMENT	N/A	N/A	N/A	N/A	N/A	N/A
21 **TOT OTH INV**	756	917	1,983	1,416	6,468	11,540
26 ACC DEPR	(334)	(407)	(758)	(582)	(2,752)	(4,833)
27 ACC AMORT	0	0	0	0	0	0
28 NET DEF OPR INC TAX	(8,128)	(10,712)	(22,340)	(12,997)	(74,491)	(128,667)
29 CUSTOMER DEPOSITS	0	0	0	0	0	0
30 OTH DEFERRED CREDIT	0	0	0	0	0	0
31 OTH RESV ITEMS	0	0	0	0	0	0
32 FCC RESV ADJUSTMENT*	27,547	43,243	64,015	46,047	231,571	412,424
33 **TOTAL RESERVES**	(8,461)	(11,119)	(23,098)	(13,578)	(77,243)	(133,500)
39 **AVG NET BK COST**	11,633	15,069	30,910	19,250	105,533	182,395
40 OTH OPR INC/LOSS	0	0	0	0	0	0
41 JURISDICTIONAL DIFF	0	0	0	0	0	0
42 AFDUC	0	0	0	0	0	0
43 ALL OTH	0	0	0	0	0	0
44 INT & REL ITEMS	0	0	0	0	0	0
45 EXTRAORDINARY ITEMS	0	0	0	0	0	0
46 **TOT OTH INCOM**	0	0	0	0	0	0

1993 SFAS-106 INCREMENTAL OPEB IMPACTS
(000)

STUDY AREA: SOUTHWESTERN BELL TELEPHONE CO.

	ARKANSAS SUB TO SEP (A)	KANSAS SUB TO SEP (B)	MISSOURI SUB TO SEP (C)	OKLAHOMA SUB TO SEP (D)	TEXAS SUB TO SEP (E)	COMPANY SUB TO SEP (F=A THRU E)
EXPENSES						
50 NTWK SUPP	13	20	30	21	108	192
51 GEN SUPP	716	1,124	1,665	1,197	6,022	10,724
52 COE	1,481	2,324	3,441	2,475	12,446	22,167
53 OPR SYS	N/A	N/A	N/A	N/A	N/A	N/A
54 CIRCUIT	N/A	N/A	N/A	N/A	N/A	N/A
55 IOT	801	1,257	1,862	1,339	6,734	11,993
56 C&W	2,421	3,800	5,625	4,046	20,350	36,242
57 OTH PP&E	10	15	22	16	81	144
58 NTWK OPR	3,139	4,927	7,294	5,247	26,385	46,991
59 ACCESS	0	0	0	0	0	0
60 DEPR & AMORT	179	208	420	286	1,502	2,595
61 MARKETING	975	1,531	2,267	1,630	8,199	14,602
62 CUST SVCS	3,538	5,554	8,223	5,915	29,745	52,975
63 CORPORATE	2,896	4,545	6,729	4,840	24,342	43,352
64 FCC ADJ EXP	N/A	N/A	N/A	N/A	N/A	N/A
65 **TOT OPR EXPENSES**	16,169	25,307	37,576	27,013	135,913	241,977
67 CONTRIBUTIONS	0	0	0	0	0	0
68 OTHER MISC REVENUES	0	0	0	0	0	0
70 S&L TAXES	127	186	236	197	0	746
71 OTHER TAXES	0	0	0	0	0	0
72 **TOT OTH TAXES**	127	186	236	197	0	746
74 FIXED CHARGES	0	0	0	0	0	0
75 IRS INCOME ADJ	0	1	0	(1)	0	0
76 FCC INCOME ADJ	0	0	0	0	0	0
77 ITC AMORT	0	0	0	0	0	0
78 FCC ITC ADJ	0	0	0	0	0	0
79 FIT	674	873	1,791	1,116	6,116	10,571
80 **TOT OPR TAXES**	801	1,059	2,028	1,313	6,116	11,316

1991 HISTORICAL DATA MODIFIED FOR 1993 SPF & DEM
(000)

STUDY AREA: SOUTHWESTERN BELL TELEPHONE CO.

	SUBJECT TO SEPARATIONS	INTERSTATE	TOTAL COMMON LINE	TOTAL SWITCHED	SPECIAL ACCESS	IX
INVESTMENT						
1 GSF	3,757,796	870,967	139,532	486,504	241,021	3,911
2 COE-CAT1	173,822	22,947	N/A	10,240	N/A	12,707
3 COE-CAT2&3	4,374,449	670,511	N/A	670,511	0	0
4 COE-CAT4	3,806,869	1,333,425	345,140	664,123	324,163	(0)
5 IOT	542,945	135,256	135,083	0	175	N/A
6 C&W	10,734,841	2,955,422	2,074,171	402,678	478,573	0
7 TANGIBLE ASSETS	80,480	20,745	3,063	12,752	4,842	43
8 INTANG ASSETS	0	0	0	0	0	0
9 **TPIS**	23,471,202	6,009,274	2,696,989	2,246,807	1,048,774	16,661
15 PHFTU	6,107	1,443	721	462	254	5
16 TPUC	262,891	67,303	29,746	25,215	11,902	189
17 M&S	87,134	24,501	10,689	9,269	4,473	72
18 CWC	N/A	10,146	5,112	2,944	2,046	45
19 OTH JUR ASSETS	424,604	N/A	N/A	N/A	N/A	N/A
20 FCC INV ADJUSTMENT*	N/A	58,647	16,696	35,761	6,092	99
21 **TOT OTH INV**	356,132	162,040	62,964	73,651	24,767	410
26 ACC DEPR	8,963,987	2,286,587	1,077,583	823,704	378,421	6,883
27 ACC AMORT	54,690	14,116	2,061	8,582	3,407	59
28 NET DEF OPR INC TAX	2,838,386	725,651	238,657	358,840	127,371	782
29 CUSTOMER DEPOSITS	27,608	7,061	3,283	2,590	1,169	18
30 OTH DEFERRED CREDIT	3,761	1,009	428	398	181	2
31 OTH RESV ITEMS	0	0	0	0	0	0
32 FCC RESV ADJUSTMENT*	N/A	8,070	3,710	2,989	1,350	21
33 **TOTAL RESERVES**	11,888,432	3,042,494	1,325,722	1,197,103	511,899	7,765
39 **AVG NET BK COST**	11,938,902	3,128,820	1,434,231	1,123,355	561,642	9,306
40 OTH OPR INC/LOSS	0	0	0	0	0	0
41 JURISDICTIONAL DIFF	0	0	0	0	0	0
42 AFDUC	11,049	2,848	1,246	1,092	502	7
43 ALL OTH	0	0	0	0	0	0
44 INT & REL ITEMS	4,602	1,221	485	521	211	2
45 EXTRAORDINARY ITEMS	0	0	0	0	0	0
46 **TOT OTH INCOM**	4,602	1,221	485	521	211	2

* HISTORIC INCLUDES ACCT 4040 [27,609] + ACCT 4310 [0] + ACCT 4360 [3,761]

1991 HISTORICAL DATA MODIFIED FOR 1993 SPF & DEM
(000)

STUDY AREA: SOUTHWESTERN BELL TELEPHONE CO.

	SUBJECT TO SEPARATIONS	INTERSTATE	TOTAL COMMON LINE	TOTAL SWITCHED	SPECIAL ACCESS	IX
EXPENSES						
50 NTKW SUPP	8,921	2,044	927	762	348	5
51 GEN SUPP	348,778	78,300	13,211	44,779	19,993	314
52 COE	311,774	73,968	13,007	48,264	12,226	473
53 OPR SYS	N/A	N/A	N/A	N/A	N/A	N/A
54 CIRCUIT	N/A	N/A	N/A	N/A	N/A	N/A
55 IOT	99,823	24,877	24,845	N/A	32	0
56 C&W	464,554	128,199	89,635	17,855	20,710	0
57 OTH PP&E	1,889	456	247	134	72	1
58 NTKW OPR	510,538	133,174	66,474	45,192	21,183	327
59 ACCESS	104,517	0	N/A	N/A	N/A	0
60 DEPR & AMORT	1,583,679	401,939	169,456	162,487	68,590	1,402
61 MARKETING	175,641	43,120	19,307	16,187	7,505	119
62 CUST SVCS	719,889	120,587	17,350	33,267	14,410	17,759
63 CORPORATE	839,576	198,866	76,730	73,665	30,493	6,140
64 FCC ADJ EXP	N/A	30	144	(58)	(58)	(1)
65 **TOT OPR EXPENSES**	5,169,578	1,205,560	491,333	442,534	195,504	26,539
67 CONTRIBUTIONS	19,960	4,607	2,049	1,744	800	12
68 OTHER MISC REVENUES	15,608	4,208	1,784	1,656	757	11
70 S&L TAXES	28,167	8,130	3,267	3,434	1,404	23
71 OTHER TAXES	390,548	67,858	30,448	25,752	11,480	178
72 **TOT OTH TAXES**	418,715	75,988	33,715	29,186	12,884	201
74 FIXED CHARGES	447,222	115,063	51,429	43,006	20,305	324
75 IRS INCOME ADJ	49,727	12,246	5,863	4,364	1,987	32
76 FCC INCOME ADJ	(5,243)	(1,360)	(592)	(507)	(242)	(3)
77 ITC AMORT	80,232	20,424	9,302	7,553	3,514	56
78 FCC ITC ADJ	0	0	0	0	0	0
79 FIT	317,046	85,501	39,817	29,518	15,866	273
80 **TOT OPR TAXES**	735,761	161,489	73,532	58,704	28,750	473
<hr/>						
82 REVENUE REQUIREMENT	N/A	1,727,541	730,060	630,728	288,957	28,084
83 MISC REVENUE	N/A	4,208	1,784	1,656	757	11
84 UNCOLLECTIBLES	N/A	8,102	3,579	3,024	1,475	24
85 NET REVENUE REQ	N/A	1,723,647	728,265	629,360	288,239	28,071
86 EXP AND OTHER TAXES	N/A	1,286,154	527,097	473,464	209,188	26,752
87 AVG NET INVESTMENT	N/A	3,128,820	1,434,231	1,123,355	561,642	9,306
88 FIT ADJUSTMENTS	N/A	125,949	56,700	46,863	22,050	353
89 ITC-A	N/A	20,424	9,302	7,553	3,514	56
90 FIT	N/A	85,501	39,817	29,518	15,866	273
91 NET OPERATING INCOME	N/A	351,992	161,351	126,377	63,185	1,047
92 RATE OF RETURN	N/A	0.112500	0.112500	0.112500	0.112500	0.112500

1993 SFAS-106 OPEB COST IMPACTS
(000)

STUDY AREA: SOUTHWESTERN BELL TELEPHONE CO.

	1991 MODIFIED BASE SUB TO SEP (A)	INCREMENTAL OPEB IMPACT SUB TO SEP (B)	TOTAL INCLUDING OPEB SUB TO SEP (C=A+B)
INVESTMENT			
1 GSF	3,757,796	5,969	3,763,765
2 COE-CAT1	173,822	275	174,097
3 COE-CAT2&3	4,374,449	6,988	4,381,437
4 COE-CAT4	3,806,869	6,081	3,812,950
5 IOT	542,945	859	543,804
6 C&W	10,734,841	17,182	10,752,023
7 TANGIBLE ASSETS	80,480	0	80,480
8 INTANG ASSETS	0	0	0
9 **TPIS**	23,471,202	37,355	23,508,557
15 PHFTU	6,107	0	6,107
16 TPUC	262,891	11,540	274,431
17 M&S	87,134	0	87,134
18 CWC	N/A	N/A	N/A
19 OTH JUR ASSETS	424,604	0	424,604
20 FCC INV ADJUSTMENT	N/A	N/A	N/A
21 **TOT OTH INV**	356,132	11,540	367,672
26 ACC DEPR	8,963,987	(4,833)	8,959,154
27 ACC AMORT	54,690	0	54,690
28 NET DEF OPR INC TAX	2,838,386	(128,667)	2,709,719
29 CUSTOMER DEPOSITS	27,608	0	27,608
30 OTH DEFERRED CREDIT	3,761	0	3,761
31 OTH RESV ITEMS	0	0	0
32 FCC RESV ADJUSTMENT*	N/A	412,424	412,424
33 **TOTAL RESERVES**	11,888,432	(133,500)	11,754,932
39 **AVG NET BK COST**	11,938,902	182,395	12,121,297
40 OTH OPR INC/LOSS	0	0	0
41 JURISDICTIONAL DIFF	0	0	0
42 AFDUC	11,049	0	11,049
43 ALL OTH	0	0	0
44 INT & REL ITEMS	4,602	0	4,602
45 EXTRAORDINARY ITEMS	0	0	0
46 **TOT OTH INCOM**	4,602	0	4,602

* HISTORIC INCLUDES ACCT 4040 [27,609] + ACCT 4310 [0] + ACCT 4360 [3,761]

1993 SFAS-106 OPEB COST IMPACTS
(000)

STUDY AREA: SOUTHWESTERN BELL TELEPHONE CO.

	1991 MODIFIED BASE SUB TO SEP	INCREMENTAL OPEB IMPACT SUB TO SEP	TOTAL INCLUDING OPEB SUB TO SEP
EXPENSES			
50 NTKW SUPP	8,921	192	9,112
51 GEN SUPP	348,778	10,724	359,502
52 COE	311,774	22,167	333,941
53 OPR SYS	N/A	N/A	N/A
54 CIRCUIT	N/A	N/A	N/A
55 IOT	99,823	11,993	111,816
56 C&W	464,554	36,242	500,797
57 OTH PP&E	1,889	144	2,032
58 NTKW OPR	510,538	46,991	557,528
59 ACCESS	104,517	0	104,517
60 DEPR & AMORT	1,583,679	2,595	1,586,274
61 MARKETING	175,641	14,602	190,243
62 CUST SVCS	719,889	52,975	772,864
63 CORPORATE	839,576	43,352	882,928
64 FCC ADJ EXP	N/A	N/A	N/A
65 **TOT OPR EXPENSES**	5,169,578	241,977	5,411,555
67 CONTRIBUTIONS	19,960	0	19,960
68 OTHER MISC REVENUES	15,608	0	15,608
70 S&L TAXES	28,167	746	28,913
71 OTHER TAXES	390,548	0	390,548
72 **TOT OTH TAXES**	418,715	746	419,461
74 FIXED CHARGES	447,222	0	447,222
75 IRS INCOME ADJ	49,727	0	49,727
76 FCC INCOME ADJ	(5,243)	0	(5,243)
77 ITC AMORT	80,232	0	80,232
78 FCC ITC ADJ	0	0	0
79 FIT	317,046	10,571	327,617
80 **TOT OPR TAXES**	735,761	11,316	747,077

1993 SFAS-106 OPEB IMPACTS
(000)

STUDY AREA: SOUTHWESTERN BELL TELEPHONE CO.

	SUBJECT TO SEPARATIONS	INTERSTATE	TOTAL COMMON LINE	TOTAL SWITCHED	SPECIAL ACCESS	1X
INVESTMENT						
1 GSF	3,763,765	873,285	139,901	487,817	241,648	3,921
2 COE-CAT1	174,097	22,980	N/A	10,256	N/A	12,724
3 COE-CAT2&3	4,381,437	671,511	N/A	671,511	0	0
4 COE-CAT4	3,812,950	1,335,552	345,693	665,177	324,682	(0)
5 IOT	543,804	135,436	135,259	0	175	N/A
6 C&W	10,752,023	2,960,043	2,077,497	403,317	479,229	0
7 TANGIBLE ASSETS	80,480	20,757	3,065	12,762	4,845	43
8 INTANG ASSETS	0	0	0	0	0	0
9 **TPIS**	23,508,557	6,019,564	2,701,415	2,250,840	1,050,579	16,688
15 PHFTU	6,107	1,443	720	462	254	5
16 TPUC	274,431	70,254	31,060	26,321	12,414	197
17 M&S	87,134	24,501	10,689	9,270	4,474	72
18 CWC	N/A	10,146	5,112	2,944	2,047	45
19 OTH JUR ASSETS	424,604	N/A	N/A	N/A	N/A	N/A
20 FCC INV ADJUSTMENT	N/A	57,783	16,314	35,445	5,927	96
21 **TOT OTH INV**	367,672	164,127	63,895	74,442	25,116	415
26 ACC DEPR	8,959,154	2,285,586	1,077,042	823,422	378,244	6,878
27 ACC AMORT	54,690	14,124	2,063	8,587	3,410	59
28 NET DEF OPR INC TAX	2,709,719	693,589	227,704	343,602	121,539	744
29 CUSTOMER DEPOSITS	27,608	7,061	3,283	2,590	1,169	18
30 OTH DEFERRED CREDIT	3,761	1,009	428	398	181	2
31 OTH RESV ITEMS	0	0	0	0	0	0
32 FCC RESV ADJUSTMENT*	N/A	102,969	46,288	38,731	17,675	276
33 **TOTAL RESERVES**	11,754,932	3,104,338	1,356,808	1,217,330	522,218	7,977
39 **AVG NET BK COST**	12,121,297	3,079,353	1,408,502	1,107,952	553,477	9,126
40 OTH OPR INC/LOSS	0	0	0	0	0	0
41 JURISDICTIONAL DIFF	0	0	0	0	0	0
42 AFDUC	11,049	2,848	1,246	1,092	502	7
43 ALL OTH	0	0	0	0	0	0
44 INT & REL ITEMS	4,602	1,223	486	521	211	2
45 EXTRAORDINARY ITEMS	0	0	0	0	0	0
46 **TOT OTH INCOM**	4,602	1,223	486	521	211	2

1993 SFAS-106 OPEB IMPACTS
(000)

STUDY AREA: SOUTHWESTERN BELL TELEPHONE CO.

	SUBJECT TO SEPARATIONS	INTERSTATE	TOTAL COMMON LINE	TOTAL SWITCHED	SPECIAL ACCESS	IX
EXPENSES						
50 NTWK SUPP	9,112	2,091	947	781	356	5
51 GEN SUPP	359,502	80,861	13,627	46,234	20,675	326
52 COE	333,941	79,282	13,933	51,747	13,093	507
53 OPR SYS	N/A	N/A	N/A	N/A	N/A	N/A
54 CIRCUIT	N/A	N/A	N/A	N/A	N/A	N/A
55 IOT	111,816	27,854	27,819	N/A	35	0
56 C&W	500,797	138,221	96,616	19,265	22,341	0
57 OTH PP&E	2,032	493	265	147	77	1
58 NTWK OPR	557,528	145,395	72,603	49,323	23,112	356
59 ACCESS	104,517	0	N/A	N/A	N/A	0
60 DEPR & AMORT	1,586,274	402,635	169,759	162,759	68,714	1,403
61 MARKETING	190,243	46,710	20,916	17,544	8,123	128
62 CUST SVCS	772,864	129,650	18,623	35,743	15,469	19,063
63 CORPORATE	882,928	209,057	81,393	76,752	31,972	6,440
64 FCC ADJ EXP	N/A	30	144	(58)	(58)	(1)
65 **TOT OPR EXPENSES**	5,411,555	1,262,279	516,645	460,237	203,909	28,228
67 CONTRIBUTIONS	19,960	4,612	2,051	1,747	801	12
68 OTHER MISC REVENUES	15,608	4,208	1,784	1,656	757	11
70 S&L TAXES	28,913	7,885	3,152	3,343	1,366	22
71 OTHER TAXES	390,548	67,867	30,449	25,755	11,482	178
72 **TOT OTH TAXES**	419,461	75,752	33,601	29,098	12,848	200
74 FIXED CHARGES	447,222	115,041	51,415	43,004	20,300	324
75 IRS INCOME ADJ	49,727	12,289	5,884	4,381	1,993	32
76 FCC INCOME ADJ	(5,243)	(1,360)	(592)	(507)	(242)	(3)
77 ITC AMORT	80,232	20,426	9,302	7,555	3,514	56
78 FCC ITC ADJ	0	0	0	0	0	0
79 FIT	327,617	82,620	38,322	28,615	15,393	262
80 **TOT OPR TAXES**	747,077	158,372	71,924	57,712	28,240	462
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82 REVENUE REQUIREMENT	N/A	1,775,584	750,871	645,709	295,935	29,742
83 MISC REVENUE	N/A	4,208	1,784	1,656	757	11
84 UNCOLLECTIBLES	N/A	8,102	3,579	3,024	1,475	24
85 NET REVENUE REQ	N/A	1,771,690	749,076	644,341	295,217	29,729
86 EXP AND OTHER TAXES	N/A	1,342,643	552,297	491,082	217,558	28,440
87 AVG NET INVESTMENT	N/A	3,079,353	1,408,502	1,107,952	553,477	9,126
88 FIT ADJUSTMENTS	N/A	125,970	56,707	46,878	22,051	353
89 ITC-A	N/A	20,426	9,302	7,555	3,514	56
90 FIT	N/A	82,620	38,322	28,615	15,393	262
91 NET OPERATING INCOME	N/A	346,427	158,457	124,645	62,266	1,027
92 RATE OF RETURN	N/A	0.112500	0.112500	0.112500	0.112500	0.112500

1993 SFAS-106 OPEB IMPACTS COMPARED TO 1991 HISTORICAL DATA
(000)

STUDY AREA: SOUTHWESTERN BELL TELEPHONE CO.

	SUBJECT TO SEPARATIONS	INTERSTATE	TOTAL COMMON LINE	TOTAL SWITCHED	SPECIAL ACCESS	IX
INVESTMENT						
1 GSF	5,969	2,318	369	1,313	627	10
2 COE-CAT1	275	33	N/A	16	N/A	17
3 COE-CAT2&3	6,988	1,000	N/A	1,000	0	0
4 COE-CAT4	6,081	2,126	553	1,054	519	0
5 IOT	859	179	176	0	0	N/A
6 C&W	17,182	4,621	3,326	639	656	0
7 TANGIBLE ASSETS	0	12	2	10	3	0
8 INTANG ASSETS	0	0	0	0	0	0
9 **TPIS**	37,355	10,290	4,426	4,032	1,805	27
15 PHFTU	0	0	(1)	0	0	0
16 TPUC	11,540	2,951	1,314	1,106	512	8
17 M&S	0	0	0	1	1	0
18 CWC	N/A	0	0	0	1	0
19 OTH JUR ASSETS	0	N/A	N/A	N/A	N/A	N/A
20 FCC INV ADJUSTMENT	N/A	(864)	(382)	(316)	(165)	(3)
21 **TOT OTH INV**	11,540	2,087	931	791	349	5
26 ACC DEPR	(4,833)	(1,001)	(541)	(282)	(177)	(5)
27 ACC AMORT	0	8	2	5	3	0
28 NET DEF OPR INC TAX	(128,667)	(32,062)	(10,953)	(15,238)	(5,832)	(38)
29 CUSTOMER DEPOSITS	0	0	0	0	0	0
30 OTH DEFERRED CREDIT	0	0	0	0	0	0
31 OTH RESV ITEMS	0	0	0	0	0	0
32 FCC RESV ADJUSTMENT*	N/A	94,899	42,578	35,742	16,325	255
33 **TOTAL RESERVES**	(133,500)	61,844	31,086	20,227	10,319	212
39 **AVG NET BK COST**	182,395	(49,467)	(25,729)	(15,404)	(8,165)	(180)
40 OTH OPR INC/LOSS	0	0	0	0	0	0
41 JURISDICTIONAL DIFF	0	0	0	0	0	0
42 AFDUC	0	0	0	0	0	0
43 ALL OTH	0	0	0	0	0	0
44 INT & REL ITEMS	0	2	1	0	0	0
45 EXTRAORDINARY ITEMS	0	0	0	0	0	0
46 **TOT OTH INCOM**	0	2	1	0	0	0